

Message Text

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E.O. 11652, N/A

TAGS: ETRD, CA

SUBJECT: CANADIAN-U.S. EGG AND TURKEY MEAT TRADE
CONSULTATION

REF: OTTAWA 3075

1. SUMMARY. ON SEPTEMBER 25 A CANADIAN DELEGATION MET
WITH REPRESENTATIVES OF WASHINGTON AGENCIES TO DISCUSS
THE CANADIAN EGG AND TURKEY MEAT QUOTAS AND THE LEVEL OF
CANADIAN EGG EXPORTS TO THE U.S. THE PARTIES EXPRESSED
DIFFERENCES ON GATT RIGHTS, STATISTICS, AND THE INSTITUTION
OF IMPORT QUOTAS BEFORE THE CANADIAN SUPPLY MANAGEMENT
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SYSTEMS HAD ACHIEVED EFFECTIVE PRODUCTION LIMITATIONS.

THE CANADIANS PROMISED TO BE IN TOUCH WITH U.S. REPS AGAIN IN TWO WEEKS ABOUT THE ADEQUACY OF THE QUOTAS WHICH HAVE BEEN APPLIED, BUT SAID THAT THE STRUCTURE OF THE SUPPLY MANAGEMENT SYSTEMS WERE NOT SUBJECT CHANGE, AT LEAST IN THE SHORT TERM. THEY SAID THAT MEANINGFUL DISCUSSIONS ON THEIR EGG EXPORTS TO THE U.S. WOULD HAVE TO WAIT UNTIL THEY ARE ABLE TO GET A BETTER HANDLE ON THE EGG MARKET. END SUMMARY

2. ON SEPTEMBER 25 A DELEGATION FROM OTTAWA MET WITH REPRESENTATIVES OF WASHINGTON AGENCIES CONCERNING THE U.S.-CANADIAN EGG AND TURKEY MEAT TRADE. THE CANADIAN DELEGATION INCLUDED R.E. LATIMER AND OTHER REPRESENTATIVES FROM IT&C, C.R. PHILLIPS AND OTHER REPRESENTATIVES OF

AGRICULTURE CANADA AND GHERSON OF THE CANADIAN EMBASSY. THE U.S. DELEGATION INCLUDED MAYNARD GLITMAN AND OTHER STATE DEPARTMENT REPRESENTATIVES, RICHARD GOODMAN AND OTHER USDA REPRESENTATIVES AND GRAEF OF STR.

3. U.S. POSITION. IN AN OPENING STATEMENT GLITMAN STATED (A) THAT THE U.S. IS CANADA'S PRINCIPAL FOREIGN SUPPLIER OF EGGS AND TURKEY MEAT AND HAS GATT TARIFF BINDINGS ON THESE COMMODITIES, (B) THAT THE CANADIAN IMPORT PERMIT AND QUOTA RESTRICTIONS HAD A LARGE AND IMMEDIATE EFFECT ON U.S. EXPORTS TO CANADA, (C) THAT THE CANADIAN INCENTIVE PAYMENTS APPEAR TO BE RESPONSIBLE FOR THE LARGE INCREASE IN EGGS IMPORTED FROM CANADA, (D) THAT THE U.S. HAD NOT BEEN GRANTED DURING THE PERIOD OF CONTROLS A QUOTA WHICH MAINTAINED ITS MARKET RATIO, (E) THAT THE EGG AND TURKEY MARKET AUTHORITIES HAVE NOT BEEN SUCCESSFUL IN LIMITING PRODUCTION IN CANADA, AND (F) THAT THE CANADIAN SYSTEM WAS NOT IN CONFORMITY WITH GATT ARTICLE XI. IN CONCLUSION, THE U.S. REP ADVISED THE CANADIAN DEL OF THE SERIOUS PRESSURES FROM U.S. PRODUCERS AND SAID THEY SHOULD UNDERSTAND THAT THE U.S. WILL HAVE TO USE ALL OF THE REMEDIES AVAILABLE TO IT UNDER THE GATT IF AN ADEQUATE SOLUTION IS NOT REACHED IN THE NEAR FUTURE. IT WAS NOTED THAT COMPENSATION FOR TRADE IMPAIRED COULD BE REQUESTED AT A LATER LIMITED OFFICIAL USE

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DATE.

4. CANADIAN POSITION. THE CANADIANS REPLIED THAT THEIR MARKET-SUPPLY MANAGEMENT SYSTEMS FOR EGGS AND TURKEY MEAT WERE A FACT AND THAT DIFFERING US-CANADIAN VIEWS WOULD HAVE TO ASSUME CONTINUATION OF THESE PROGRAMS. THEY ACKNOWLEDGED THAT THEIR SYSTEM IS NEW AND THAT THEY HAVE NOT YET ACHIEVED EFFECTIVE CONTROL OVER EGG

PRODUCTION AND, THEREFORE, MAY NOT FULLY MEET THE REQUIREMENTS OF ARTICLE XI. THEY INDICATED A WILLINGNESS TO RESOLVE ANY INEQUITIES BY ADJUSTMENTS TO THE SYSTEMS AND REQUESTED CONSTRUCTIVE SUGGESTIONS ON IMPROVING THE PRODUCTION CONTROL MECHANISM. THEY ADDED, HOWEVER, THAT "THEORETICALLY" THE ONUS WOULD BE ON THE U.S. TO PROVE INEQUITY OR NONCOMPLIANCE WITH THE GATT. THE DISCUSSION OF SPECIFIC PRODUCTION AND IMPORT RATIO FIGURES WAS CHARACTERIZED BY VARIOUS STATISTICAL DIFFERENCES. THE THRUST OF THE CANADIAN ARGUMENT WAS THAT A PRODUCTION CONTROLS/IMPORT QUOTA SYSTEM BASED ON COST/PRICE TRIGGERS SHOULD BE MORE ACCEPTABLE TO BOTH PARTIES THAN THE PERIODIC EMBARGOES AND SURCHARGES WHICH HAD BEEN USED TO RESOLVE PAST AGRICULTURAL PROBLEMS. THEY INDICATED THEY DID NOT AGREE THAT THE U.S. HAS A COMPENSATION CLAIM. THE U.S. RESERVED ITS

POSITION ON THE COMPENSATION ISSUE.

5. DURING THE MEETING THE CANADIANS USED STATISTICS CANADA FIGURES WHICH SUPPORTED THEIR ASSERTIONS. THE U.S. DEL USED CANADIAN DATA AS WELL AS PRIVATELY PUBLISHED, COMMERCIALY AVAILABLE FIGURES WHICH, IN SOME CASES, INDICATED THE OPPOSITE. HOWEVER, AFTER THE MEETING PHILIPS AND A USDA REP DISCUSSED THE DATA AND AGREED THAT MANY OF THE DIFFERENCES WERE DUE TO DIFFERENT INTERPRETATIONS OF THE SAME DATA.

6. TURKEY QUOTAS. THE U.S. DEL INDICATED THAT U.S. TURKEY MEAT EXPORTS TO CANADA HAVE DROPPED OFF SUBSTANTIALY AND URGED THAT THE QUOTAS BE REMOVED. IN ADDITION, U.S. REPS INDICATED THAT CANADIAN PER CAPITA CONSUMPTION HAS INCREASED IN RECENT YEARS. ACCESS TO LIMITED OFFICIAL USE

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THIS GROWING MARKET WOULD BE NEGATED BY QUOTAS BASED ON FIVE YEAR AVERAGES. THE CANADIANS REPLIED THAT THE TURKEY MARKETING SYSTEM SEEMED TO BE OPERATING WELL. THE MARKED INCREASE IN PRODUCTION FOLLOWING THE QUOTAS WAS BUILT IN BEFORE THE CONTROLS WERE APPLIED AND IT WOULD BE SEVERAL MONTHS BEFORE THE CONTROLS WERE EFFECTIVE IN LIMITING PRODUCTION. THEY EXPECT THAT 1975 PRODUCTION WILL BE LIMITED ROUGHLY TO ACTUAL CONSUMPTION IN 1974. U.S. REPS STRONGLY ASSERTED THAT THE U.S. HAD RIGHTS TO A SHARE IN THE GROWTH OF AN EXPANDING MARKET AND THAT CANADA SHOULD HAVE WAITED UNTIL ITS PRODUCTION CONTROLS WERE EFFECTIVE BEFORE INSTITUTING IMPORT QUOTAS. THE CANADIANS REPLIED THAT THEY WOULD RE-EXAMINE THEIR BASE YEARS AND MARKET PATTERNS AND GET BACK IN TOUCH WITHIN TWO WEEKS.

7. EGG QUOTAS. THE U.S. DEL EXPRESSED SATISFACTION THAT THE CANADIAN IMPORT QUOTAS ON EGGS WERE SUSPENDED ON SEPTEMBER 16 AND ASKED FOR CANADIAN AGREEMENT NOT TO REIMPOSE THE QUOTAS. IN ADDITION, THE U.S. DEL REQUESTED MORE INFORMATION ON THE CANADIAN DOMESTIC PRICE SUPPORT LEVEL AND THE TRIGGER TO REMOVE IMPORT QUOTAS BASED ON U.S. EGG PRICES. THE CANADIANS REPLIED THAT, AS WITH TURKEY MEAT, THEY ARE COMMITTED TO A MARKET MANAGEMENT SYSTEM. ANY FUTURE QUOTAS WOULD BE BASED ON PRE-DETERMINED TRIGGERS. THEY AGREED, HOWEVER, TO ALERT THE U.S. BEFORE REIMPOSING ANY QUOTAS. THEY DID NOT THINK IT WOULD BE USEFUL FOR THE U.S. TO BECOME INVOLVED IN THEIR SYSTEM OF STATISTICAL FORMULAS BUT THOUGHT THE U.S. SHOULD LOOK ONLY TO THE U.S. POSITION IN THE CANADIAN MARKET WHICH RESULTED FROM THAT SYSTEM. WHILE OBSERVING THAT THERE WAS NOT MUCH PRESSURE AT THIS POINT DUE TO THE QUOTA SUSPENSIONS, THE CANADIANS AGREED TO

COME BACK ON THIS IN ABOUT TWO WEEKS.

8. CANADIAN EGG EXPORTS. THE U.S. ASSERTED THAT THE GOC DIRECTLY, OR THROUGH THE MARKETING BOARDS, IS GRANTING INCENTIVE PAYMENTS TO BREAKER EGGS WHICH ARE THEN BEING SOLD IN THE U.S. MARKET AND OBSERVED THAT THE MARKETING AGENCIES HAD INDICATED AN INTENTION TO LIMITED OFFICIAL USE

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HOLD BREAKER EXPORTS TO THE U.S. TO A FIVE YEAR AVERAGE. THE CANADIANS WERE NOT SURE THAT THE FIVE YEAR AVERAGE WAS BEING ADHERED TO AND ADMITTED THEY DID NOT YET "HAVE A HANDLE" ON THE EGG MARKET. BOTH SIDES WERE AWARE THAT CANADIAN EGG EXPORTS ARE THE SUBJECT OF AN ANTIDUMPING INVESTIGATION. THE U.S. DEL ALSO INDICATED THAT THERE EXISTS THE POSSIBILITY OF A PRIVATE SUIT UNDER U.S. COUNTERVAILING DUTY LEGISLATION. THE CANADIAN REPS DID NOT FEEL THAT THEY WOULD BE ABLE TO PROVIDE SATISFACTORY INFORMATION ON THE EGG EXPORT PROBLEM WITHIN TWO WEEKS. THE U.S. DEL EMPHASIZED THAT SUBSIDIZED EXPORTS WHICH ARE A PART OF THE MARKETING PLAN MUST BE CONSIDERED IN DETERMINING WHETHER THE PLAN CONFORMS WITH GATT ARTICLE XI. IN THE MEANTIME, THE U.S. DEL PROMISED TO TRY TO OBTAIN U.S. CUSTOMS FIGURES ON THE EXTENT TO WHICH CANADIAN BREAKER EGGS WERE ENTERING THE U.S. UNDER BOND OR A DRAW-BACK SCHEME FOR PROCESSING AND RETURN TO CANADA AND INFORMATION ON THE BONDING PROCEDURES AVAILABLE FOR THIS TRADE.

9. THE METHOD BY WHICH THE CANADIANS WOULD BE IN TOUCH WITH US TWO WEEKS HENCE ON THE EGG AND TURKEY MEAT

QUOTAS WAS LEFT OPEN. MAW

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